

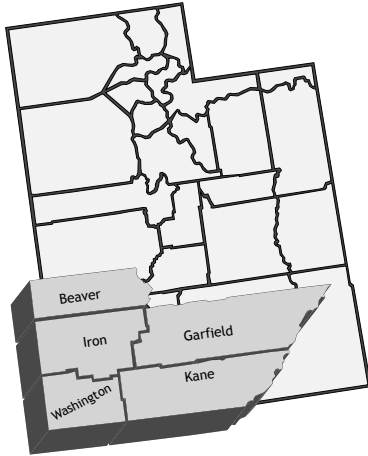
# Workforce News



A quarterly publication of the Department of Workforce Services: issued June 2010

**Southwest:** Beaver, Garfield, Iron, Kane, Washington

**jobs.utah.gov**



## Measuring the Economy

—How industrially diverse is your county?



### Inside:

#### Are We in Recovery?

- › **Beaver:** Job Growth Evaporates
- › **Garfield:** Starting to Recover
- › **Iron:** Headed towards Growth in '10
- › **Kane:** Bottomed Out
- › **Washington:** Jobless Recovery



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Financial advisors typically encourage their clients to diversify their portfolios. In other words, we're encouraged to invest in a wide variety of investments. Diversification minimizes the risk to the entire portfolio from a downturn in any one investment.

When it comes to the economy, diversification can also help minimize the impact of a downturn in any particular industry on the entire economy. In general, economies with more industrial diversification are more stable over time. So understanding the industrial diversity—or lack of diversity—in particular areas can

reveal how exposed local economies are to large swings in their own business cycle.

The Hachman Index (developed by Frank Hachman while with the Utah Bureau of Economic and Business Research at the University of Utah) provides a measure of economic diversity. This index measures how closely the employment distribution of a region (state, county) resembles that of a reference region (nation) at a particular point in time. The closer the index is to one, the closer the region reflects the economic diversity of the reference region.

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## Measuring the Economy (continued)

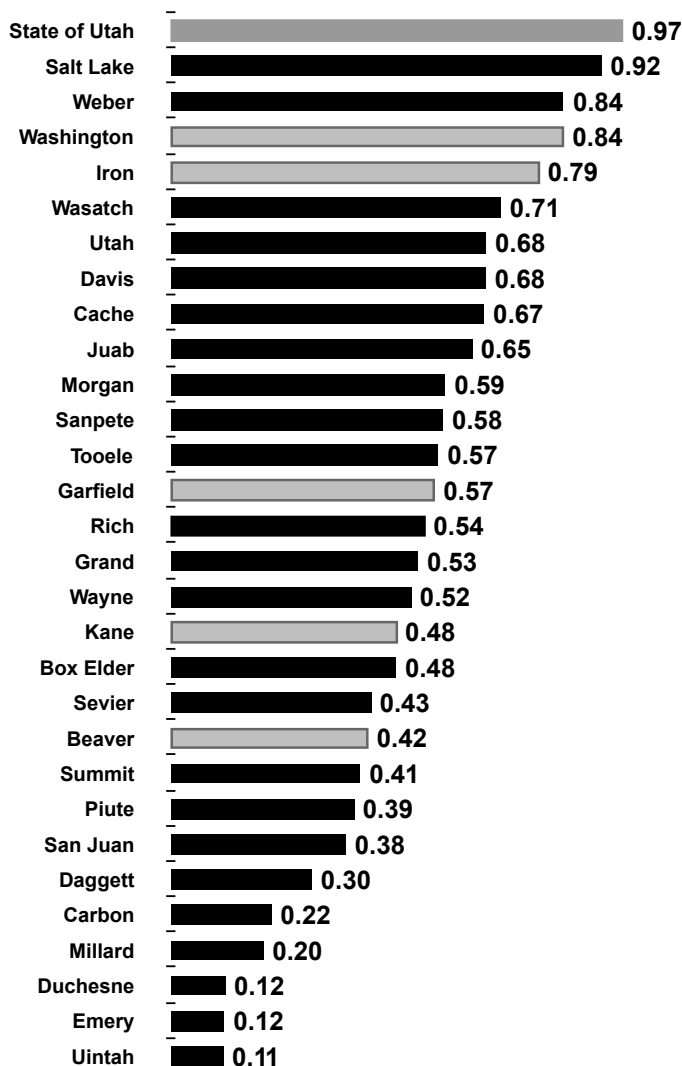
For example, if Nonesuch County's Hachman Index measured 0.99 with the U.S. as a reference region, we'd know that Nonesuch County's employment distribution was almost identical to that of the U.S. On the other hand, an index of 0.11 would be indicative of a county which was substantially less diverse than the nation—and typically heavily dependent on just one industry.

The Hachman index chart that accompanies this article uses preliminary 2009 data for employment at the North American Industrial Classification System (NAICS) two-digit level, with federal, state and local governments broken out separately. First, a warning from the data police: Yes, 2009 was a recession year that hit both construction and manufacturing industries quite hard. This will affect the index somewhat compared to non-recessionary years.

Interestingly, Utah, with a statewide index of 0.97, shows industrial diversity very similar to that of the United States. Moreover, the state is more diverse than any of its component counties. In southwestern Utah, both Washington (0.84) and Iron (0.79) counties show relatively high industrial diversity—third and fourth in a ranking of counties. In fact, the more heavily populated Utah and Davis counties show less diversity than either Iron or Washington counties.

Not surprisingly, the less-populated counties in southwestern Utah display

## 2009 Hachman Index\* of Industrial Diversity for Utah Counties



\*Measure of industrial employment diversity. The closer to one the index measures, the closer industrial employment reflects the United States. Measured at the NAICS two-digit industry level using preliminary 2009 data.

Source: Utah Department of Workforce Services.

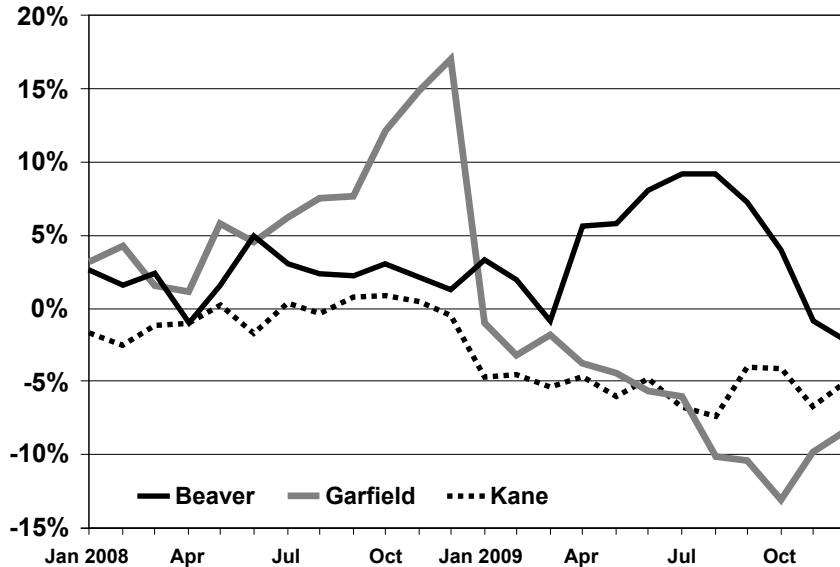
lower levels of industrial diversification. Most small counties maintain a higher-than-average share of government employment (which includes public education), which affects their

level of diversity. Garfield (0.57) and Kane (0.48) show diversity rankings near the middle of the county pack. Beaver County (0.42) shows the lowest Hachman Index among

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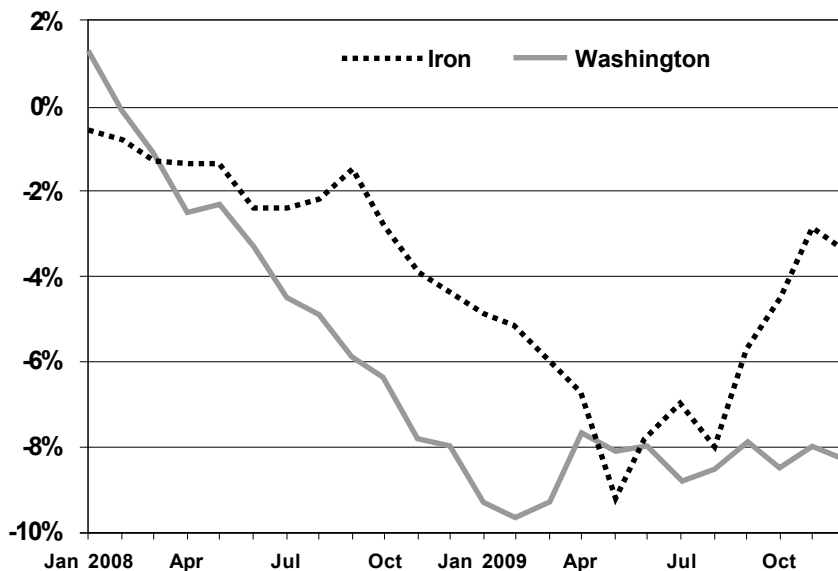
## Measuring the Economy (continued)

### Year-Over Change in Nonfarm Jobs



Source: Utah Department of Workforce Services.

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Source: Utah Department of Workforce Services.

southwestern Utah counties. However, Beaver County's diversity index was affected dramatically during 2009 because of an unusual influx of

construction industry employment connected to the building of the wind farm, and should show a higher index in 2010. **WFN**

## What's Up?

For a quick look at your county's current economic information, go to: <http://jobs.utah.gov/countyinfo>, select your county, and then click on "Current Economic Snapshot"

"The **City of St. George** and a developer who had agreed to pay \$43 million for the airport announced they are terminating the deal. The city will no longer sell the 274-acre property, with officials saying the deal is no longer needed to help pay for a new \$160-million replacement airport. Thanks to an influx of federal funds, cutbacks in the design, and the favorable bid environment created by the economic downturn, the construction costs have been much lower than earlier projections of more than \$200 million."

-The Spectrum

"**John Carter of Mars**, a Disney production, is being filmed in Utah, with several locations in Kane County. A set is currently under construction in Mt. Carmel. Of a total budget of \$250 million, \$27.7 million will be spent in Utah."

-Southern Utah News

# County News

In last month's newsletter, I spent a lot of time discussing the definition of an economic recovery ([jobs.utah.gov/opencms/wi/regions/western/pubs/wfnewssouthwestmar10.pdf](http://jobs.utah.gov/opencms/wi/regions/western/pubs/wfnewssouthwestmar10.pdf)). To very briefly recap that discussion, I suggested that, historically, when year-to-year job losses start getting smaller rather than larger, the economy has started the recovery phase of the business cycle. Job growth generally doesn't occur until further on down the line.

## Recovery Update

Are job losses getting smaller? For the nation and Utah—undoubtedly. Nationally, we are probably only a few months away from year-over job growth and Utah is not far behind. The counties of southwestern Utah show varied performances. However, most counties have certainly “bottomed out.”

## The Jobs

Beaver County's numbers are distorted by construction of the wind farm during 2009 and year-to-year growth just slipped into negative territory at year-end. Garfield County didn't hit the bottom of the recession until the

final quarter of 2009. Iron County entered recovery in second quarter 2009 and will probably be the first county in the region to experience job growth—probably sometime in 2010. Kane County appears to be following the national trend with the recession ending in third quarter 2009. Washington County's recovery phase started early—during the first quarter of 2009. However, the county wallowed in a “jobless recovery” for the rest of the year.

## The Jobless

While most counties appear to have started the recovery phase, their unemployment rates continue to edge up. Why the discrepancy? Typically unemployment rates “lag” the recovery. The number of unemployed tends to cumulate during a recession and the rate only begins to improve after substantial progress in the jobs arena.

## Beaver County

When it comes to large construction projects, what goes up comes back down. Beaver County strayed from its earlier job-creating ways to experience a 2.3-percent year-over drop in December. Construction employment held

steady instead of expanding sufficiently to overshadow the losses in other areas. Next quarter, the completion of the wind farm will drive employment losses lower. In December, only mining and government showed any significant gains.

## Garfield County

Garfield County's year-to-year job losses seem to have reached bottom in October 2009 (down 13 percent). By December 2009, declines had moderated to just over 8 percent in comparison with the previous December. While most industries showed employment declines, the county's dominant leisure/hospitality industry proved the source for more than half of the county's 170-job contraction. Construction, professional/business services, and other services registered the only (meager) job gains at the industry level.

Other indicators show signs of improvement. Early construction permitting figures for 2010 are up compared to 2009 and fourth-quarter gross taxable sales showed the first year-over expansion in more than a year.

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# County News (continued)

## Iron County

Job losses in Iron County hit bottom in the second quarter of 2009. Since then, declines have trended lower and lower. By December 2009, the county's year-to-year employment loss measured 3.4 percent—far lower than the 9.2-percent decline of May 2009. In fact, Iron County seems on track to experience job growth in the second quarter of 2010.

Nevertheless, most industries showed contraction at year-end. Construction, manufacturing, retail trade, and professional/business services (which includes “temp” agencies) all experienced notable job losses. However, more industries are showing signs of employment life. A surge in leisure/hospitality industry employment proved particularly encouraging.

Other indicators also suggest the county's economy continues to dig itself out of the recession. While new residential permitting continued to languish during the first two months of 2010, gains in residential additions/repairs/remodeling permits pushed total approved values into the black. While gross taxable sales continue

to show losses, the declines had moderated substantially by year-end.

## Kane County

Kane County's recession appears to have ended in mid-2009. This is a small county and its job-loss rate has bounced up and down for most of 2009. However, overall, declines do appear to be shrinking. Between December 2008 and December 2009, the county's employment had declined by roughly 150 jobs (4.5 percent).

This tourism-dependent county lost a huge share of its jobs in the leisure/hospitality industry. In addition, construction, retail trade, and other services have taken severe employment hits. Yet, several industries are actually showing slight expansion.

Early construction permitting data for 2010 still shows a very sluggish market. Gross taxable sales for fourth quarter are still down, although, as with jobs, the losses continue to moderate.

## Washington County

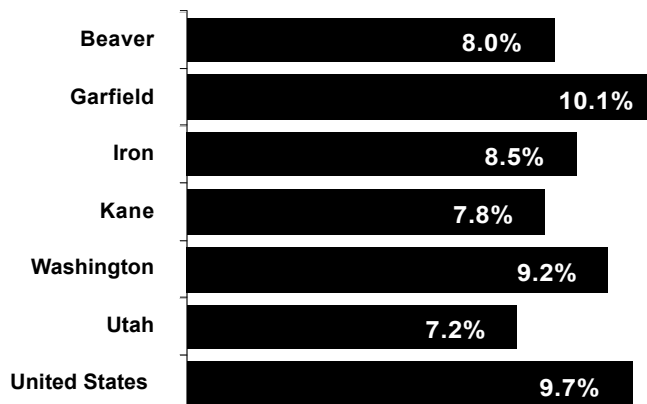
While Washington County entered the recovery phase of the recession in the first quarter

of 2009, it languished in a “jobless recovery” for the rest of the year. Between December 2008 and December 2009, the county's employment-loss rate still measured a disappointing 8 percent. Construction still leads the pack when it comes to lost jobs. Only private education/healthcare/social services, and utilities picked up any new employment. Even government slipped into the job-loss category during fourth quarter. However, other economic indicators suggest 2010 should show improvement in the job market.

Perhaps the best news for Washington County is progress in the residential housing market. Sales are booming as the market continues to adjust to more realistic prices. In addition, preliminary data for the first two months of 2010 shows approved home permits almost doubled the number permitted for the same months in 2009. Finally, in the fourth quarter of 2009, gross taxable sales improved for the first time in more than two years. **WFN**

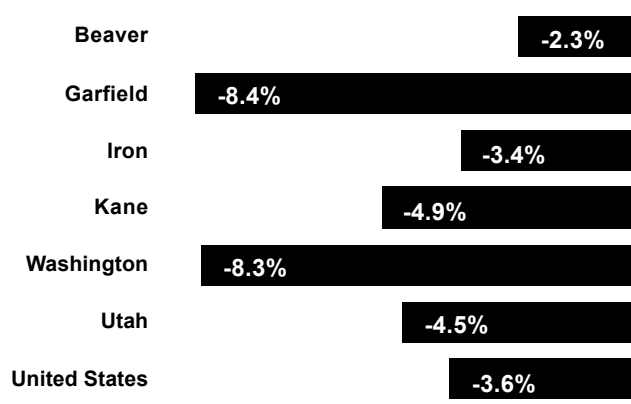
For a more information about these counties, see: <http://jobs.utah.gov/countyinfo>

### Seasonally Adjusted Unemployment Rates March 2010



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

### Change in Nonfarm Jobs December 2008 to December 2009



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

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